

# A L E R T

## BENEFIT LEGISLATION

### ***Legislative Provisions Affecting CalSTRS Benefits as of April 2, 2001***

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Each year, legislation is introduced that would, if enacted, improve benefits paid to some CalSTRS members who retire in the future. If you are considering retiring soon, you might be interested to know what bills of this type have been introduced this year. The *Benefit Legislation Alert* has been developed by CalSTRS to raise member awareness of legislative provisions affecting CalSTRS benefits. Since all legislative proposals are subject to change during the legislative year, please see the box on page two for informational resources to help you keep current on the latest benefit provisions.

#### ***Benefit Legislation Alert***

summarizes only the benefit-increasing provisions that apply to CalSTRS members retiring in the future. Some benefit-increasing proposals that affect CalSTRS members, but are not dependent on when a member retires, have been introduced in the state Legislature. However, those provisions are not included here.

Generally, when legislation becomes law, unless the bill states otherwise, the benefits will become effective on the next January 1 and apply to members who retire on or after the bill's effective date.

Some laws passed in 2000 increasing benefits to future retired CalSTRS members will only affect members retiring after 2001. Summaries of those provisions are included here.

### **Proposed Bills Under Consideration**

#### **AB 135 (Havice)**

Bases final compensation on the highest compensation earnable for 12 consecutive months for all CalSTRS members, regardless of the number of years of credited service. Under current law, members with 25 or more years of service credit have their benefit calculated on the single highest period of 12 consecutive months of earnable compensation while members with less than 25 years of service credit have the highest 36 consecutive months of earnable compensation used.

#### **AB 607 (Negrete McLeod)**

Eliminates the current 2.4 percent limit in the combined age factor and career factor paid to members with 30 or more years of credited service who retire on or after January 1, 2002. Under current law, a member with 30 or more years of credited service reaches the maximum 2.4 percent combined age factor and career factor at age 61½. If this proposal is enacted, the combined age factor and career factor at age 61 ½ will continue to be 2.4 percent. However, the combined age factor and career factor would continue to increase, reaching 2.6 percent at age 63.

#### **SB 191 (Karnette)**

Requires CalSTRS to make annual payments to active member Defined Benefit Supplement accounts from 2002 through 2011. These payments would range from \$500 to \$20,000, based on the member's years of credited service as of the prior year. This bill also requires CalSTRS to pay the Medicare Part B premiums of DB Program active and retired members who are age 55 and older on January 1, 2002 and to credit \$600 annually to a supplemental health insurance account for DB Program members who retired for service or disability prior to 2002. Contributions to the supplemental health insurance account would be used to pay health care costs during retirement.



**SB 334 (Ortiz)**

Increases benefits paid to members who retire for service, reinstate under CalSTRS-covered employment and perform at least two years of credited service and then re-retire. Currently, benefit enhancements apply only to credited service earned after reinstating to CalSTRS-covered employment. Under this bill, all credited service earned during the person's career would be subject to the benefit formula in effect at the time of the subsequent retirement. The two years of credited service can be accrued at any time as long as the member re-retires after January 1, 2002.

**Enacted Legislation Taking Effect in the Future****AB 2456 (Wright) Chapter 897, Statutes of 2000**

Beginning January 1, 2002 or 2003, a member retiring for service after that date and before 2011 and after age 60 can elect to receive a portion of his or her CalSTRS retirement benefit as a lump sum in exchange for a lower monthly allowance. The lump-sum amount that will be available to members is limited and is based on the monthly allowance payable at retirement. The amount of the monthly allowance reduction cannot exceed 15 percent.

**AB 2700 (Lempert), Chapter 1021, Statutes of 2000**

Beginning probably July 1, 2002, all compensation for creditable service performed on and after that date will be creditable to CalSTRS. This includes compensation for summer school, intersession, overtime, allowances, stipends and bonuses. Compensation for service that will now be creditable will be credited to the Defined Benefit Program as additional credited service, up to one year. Member and employer contributions for more than one year of service in any school year will be credited to the member's Defined Benefit Supplement account.

**SB 1435 (Johnston), Chapter 1032, Statutes of 2000**

Currently, CalSTRS must pay the Medicare Part A premium for members who are not eligible for premium-free Medicare Part A on their own and who retired on or before December 31, 2000. Current law permits the Teachers' Retirement Board to extend the Medicare benefit coverage to members who retire on or after January 1, 2001. If the board extends this benefit to members retiring in the future, eligibility for this benefit will be limited to members who (1) retired from districts that have conducted or are conducting the Medicare election by the time the member retires, and, (2) if the member was under age 58 at the time of election, had elected to be covered by Medicare.

***Keep Current on  
Legislative Changes for  
Informed Decisions***

Although additional new bills will not be introduced this year, any bill can be amended to make substantial changes to its provisions. Statutory changes are made from time to time that affect CalSTRS benefits and that may affect any decision you make in relation to those benefits. The California Legislature and the Governor make these changes, and legislation may be approved by the Legislature as late as September 14, 2001 and approved by the Governor as late as October 14, 2001.

While CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you.

For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS website ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)) or the CalSTRS Public Service Office (800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe would be helpful before you make any final decision about retirement.

You are ultimately responsible for any decision you make in regard to your CalSTRS benefit.

